

Message Text

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ACTION EB-11

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E. O. 11652: N/A

TAGS: EIND UG

SUBJECT: MUSLIM SUPREME COUNCIL HOLDING LEAKING IPS BAG

REF: KAMPALA 1241

1. IN CONDUCTING EXCON CASE INVESTIGATION OF IPS (REFTEL)
EMB OFF HAD INTERESTING DISCUSSION WITH NEW OFFICIAL OF
INDUSTRIAL PROMOTION SERVICES LTD., A FINANCE AND CONSULTING
FIRM PREVIOUSLY AFFILIATED WITH H. H. THE AGA KHAN AND THE
ISMAILI COMMUNITY IN KAMPALA. IPS WAS TREATED AS ABANDONED
PROPERTY AFTER THE ASIAN EXPULSION AND WAS EVENTUALLY
ALLOCATED TO THE MUSLIM SUPREME COUNCIL OF UGANDA.
 2. AT THE TIME OF THE TURNOVER, IPS OWNED, CONTROLLED, OR
HED A SHARE IN ABOUT TEN UGANDAN COMPANIES WHICH MANUFACTURED
A RANGE OF PRODUCTS FROM SOCKS TO SUITCASES. THESE COMPANIES
AND THE MODERN IPS BUILDING IN KAMPALA WERE ALL TURNED OVER
TO THE MUSLIM SUPREME COUNCIL. WHEN ASKED IF THE PRESENT
STRUCTURE OF IPS WAS THE SAME, AN IPS OFFICIAL REPLIED THAT
SINCE THE ALLOCATION, SEVERAL OF THE IPS COMPANIES HAD BEEN
ALLOCATED TO OTHERS. WHEN EMB OFF ASKED IF THEY WERE TURNED
OVER TO INDIVIDUALS THE OFFICIAL GRUNTED AND SAID " INDIVIDUALS?
YES... INDIVIDUALS WITH GUNS... SOLDIERS, THE ARMY."
HE THEN VOLUNTEERED THE INFORMATION THAT SOON AFTER THE
ALLOCATION, ARMED MILITARY PERSONNEL BEGAN SHOWING UP AT
THE VARIOUS COMPANIES AND ANNOUNCING THAT THEY WERE TAKING
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OVER. "WHAT COULD WE DO? THEY HAVE GUNS." EXPRESSING SYMPAAMIL NADU STATE WHICH RESULTED INTO DIVERSION OF ALCOHOL FROM INDUSTRIAL TO POTABLE USES. CHEMPLAST CLAIMS THAT IF IT HAD ADEQUATE SUPPLY OF ALCOHOL IT COULD HAVE PRODUCED ABOUT 9,000 TONNES OF PVC RESINS IN FY ENDED MARCH 31, 1972 INSTEAD OF 7,061 TONNES ACTUALLY. INADEQUATE SUPPLY OF ALCOHOL FURTHER REDUCED CHEMPLAST PRODUCTION ESTIMATED AT 918 TONNES FROM APRIL TO JUNE 1972. SUPPLY OF ALCOHOL TO CHEMPLAST IMPROVED IN JULY 1972 AFTER COMMISSIONING OF NEW DISTILLERY IN TAMIL NADU. PRESENTLY CHEMPLAST HAS ASSURED SUPPLY OF ALCOHOL TO MANUFACTURE 8,000 TONNES OF PVC ANNUALLY. CHEMPLAST IS NEGOTIATING FOR INCREASED SUPPLY OF ALCOHOL FOR ITS EXPANDED PRODUCTION.

4. CHEMPLAST HAS ASSURANCE TO OBTAIN 40 TONNES PER DAY OF CHLORINE FROM NEARBY METUR CHEMICALS PLANT WHICH IS ENOUGH TO PRODUCE 9,350 TONNES OF PVC ANNUALLY. DUE TO SERIOUS POWER CUT IMPOSED BY TAMIL NADU STATE SUPPLY OF CHLORINE TO CHEMPLAST HAS BEEN REDUCED SUBSTANTIALLY. THE POWER CUT IMPOSED WAS 15 PERCENT IN OCTOBER 1972 INCREASING TO 75 PERCENT IN FEBRUARY 1973 AND IS CONTINUING. PRESENTLY CHEMPLAST RECEIVES ABOUT 10 TONNES OF CHLORINE PER DAY FROM METUR CHEMICALS. FROM OCTOBER 1972 TO MARCH 1973 CHEMPLAST PRODUCED 3,093 TONNES OF PVC. THE POWER CUT IS EXPECTED TO END IN JULY 1973 WHEN MONSOON RAINS START. TO SUPPLEMENT ITS POWER REQUIREMENTS CHEMPLAST PROPOSES TO PURCHASE FOUR GENERATORS OF 700 KVA CAPACITY. CHEMPLAST HAS PLACED ORDERS FOR THESE GENERATORS AND EXPECTS TO RECEIVE THESE IN JUNE 1973.

5. CHEMPLAST PRODUCED 5,400 TONNES OF PVC IN FY 1973 AS AGAINST 7,061 TONNES IN FY 1972 AND 6,444 TONNES IN FY 1971. PRESENTLY CHEMPLAST HAS ESTIMATED ITS BREAK EVEN LEVEL PRODUCTION AT 6,000 TONNES. CHEMPLAST PLANS TO PRODUCE 9,325 TONNES OF PVC IN FY 1974 INCREASING TO 11,925 TONNES IN FY 1977. CHEMPLAST PRODUCTION PLANS LARGELY DEPEND UPON ADEQUATE MONSOON RAINS RESULTING IN RESTORATION OF POWER AND SUPPLY OF ALCOHOL.

6. PRESENTLY CHEMPLAST HAS ESTIMATED SUFFICIENT DEMAND FOR ITS PRODUCTS AND EXPECTS DEMAND TO RISE IN FORESEEABLE FUTURE. THUS CHEMPLAST INCREASED PRODUCTION IN FUTURE YEARS WOULD BE UNCLASSIFIED

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ABSORBED BY MARKET.

7. DUE TO GOI RESTRICTION ON IMPORTED PVC RESINS AND COMPOUNDS

CHEMPLAST INCREASED ITS SELLING PRICES IN FY 1973. THIS HAS REDUCED CHEMPLAST BREAK EVEN LEVEL PRODUCTION FROM 7,000 TONNES IN FY 1972 TO 6,000 TONNES PRESENTLY.

8. CHEMPLAST SALES DECREASED FROM RS38.9 MILLION IN FY 1972 TO RS. 34.3 MILLION IN FY 1973. CHEMPLAST IS ESTIMATED TO INCUR LOSS OF RS.475,000 IN FY 1973 AGAINST SMALL NET PROFIT OF RS.7,000 IN FY 1972. CHEMPLAST CURRENT RATIO FOR FY 1972 IS CALCULATED AS 92 PERCENT AGAINST 150 PERCENT FIXED IN LOAN AGREEMENT AND ITS DEBT TO EQUITY RATIO FOR FY 1972 IS CALCULATED AS 391 PERCENT AGAINST 180 PERCENT FIXED IN LOAN AGREEMENT. BASED ON RESTORATION OF NORMAL POWER SUPPLY CHEMPLAST EXPECTS IN FY 1974 TO IMPROVE ITS SALES TO RS 55 MILLION AND EARN NET PROFIT OF RS 1.4 MILLION AND FURTHER IMPROVE IN FY 1977 ITS SALES TO RS 72 MILLION AND NET PROFIT TO RS 6.9 MILLION. FUTURE PLANNED SALES AND PROFITS ARE ESTIMATED TO IMPROVE CHEMPLAST CURRENT AND DEBT TO EQUITY RATIOS SUBSTANTIALLY.

9. IN VIEW OF CHEMPLAST HAVING INSTALLED EQUIPMENT FOR ITS EXPANSION PLAN AND LARGELY SOLVED ITS ALCOHOL SUPPLY PROBLEM WE ARE OF VIEW THAT CHEMPLAST IS SUBSTANTIALLY ON ITS WAY TO RECOVERY. HOWEVER IN VIEW OF CURRENT ELECTRIC POWER SHORTAGE IN TAMIL NDU WE HAVE ASKED CHEMPLAST TO PROVIDE US ACCEPTABLE BANK GUARANTEE OF TWO PRINCIPAL INSTALLMENTS OF AID LOAN. THIS WOULD PROVIDE US ENOUGH TIME TO PLAN OUR FUTURE COURSE OF ACTION CONCERNING THIS LOAN.

10. CHEMPLAST HAS PARTLY FINANCED ITS EXPANSION PLAN FROM LOANS FROM INDIAN FINANCIAL INSTITUTIONS. AS CONDITION OF THEIR LOANS INDIAN FINANCIAL INSTITUTIONS HAVE REQUIRED THAT AID APPROVE CHEMPLAST EXISTING DEFERMENT AND RESCHEDULING REQUEST.

11. REQUEST PRIORITY CABLE CONCURRENCE. MOYNIHAN

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*** Current Classification *** LIMITED OFFICIAL USE

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